

4 February 1957

SAPC 13111
COPY (OE)

CMCC Doc. No. 151X5.416

Copy 1 of 2

Page 1 of 1

Dear George:

We have now settled all purchase orders affected by the System 2 quantity cutback. In no cases was it necessary to go into formal termination proceedings, and no DD541's were executed. Completion of work reinstated to make the revised quantities of equipment covered all vendors except the Kenneth C. Holloway Company, who fabricated the cabinet assemblies for the ground equipment on our Purchase Order 25-28713. In a few cases there were modest price increases reflecting the additional start-up costs when the order was reinstated, but all of these seemed reasonable to us and were covered by purchase order changes.

In the case of the Kenneth C. Holloway Company, all quantities of the original order were reinstated in two steps, August 29 and December 28, except for three dual cabinets. Price increases of about 4-1/2% were negotiated on the reinstated orders for a total increase of \$1,265.86. These price increases seemed very reasonable. Most of the work had been done on the three cancelled dual cabinets short of final assembly. They have been shipped to us as parts and pieces, and we negotiated a revised price with the vendor agreeing to a settlement of \$984.60 per assembly versus the original price of \$1,336.55. This settlement avoided a termination claim and any costs involved in the preparation of DD541's. The total price of the purchase order after the adjustment was \$26,296.97 versus \$26,086.96 in the original commitment or an increase of \$210.01.

We believe this to be an equitable settlement since the vendor completed the original order except for the three cabinets mentioned, and the delay in reinstatement of his order certainly involved increased cost for him on that portion of the work which was reinstated.

Your approval is requested for this settlement.

Sincerely,

Bob

25X1

SECRET

This document contains information affecting the national defense of the United States within the meaning of the Espionage Laws, Title 18 U.S.C., Sections 793 and 794. Its transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law.